

AMENDED IN SENATE JUNE 2, 1999

AMENDED IN SENATE APRIL 12, 1999

**SENATE BILL**

**No. 514**

**Introduced by Senator Chesbro**

February 18, 1999

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*An act to add Section 22825.9 to the Government Code, An act to repeal and add Section 22825.01 to the Government Code, relating to health care coverage, and making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 514, as amended, Chesbro. Health care coverage: rural areas: PERS.

The existing Public Employees' Medical and Hospital Care Act provides, for each state employee or annuitant living where there is not available a competitive health maintenance organization and a fee-for-service health plan is the only option, state employer contributions on the basis of the PERS Care premiums.

~~This bill would authorize the Board of Administration of the Public Employees' Retirement System to establish a health care premium subsidy for active and retired state employees who reside in areas of the state that are not serviced by any contracting health maintenance organizations. It would create the Rural Health Subsidy Fund for the purpose of receiving funds to pay for the premium subsidy, and would~~

~~appropriate an unspecified amount from the General Fund to the Rural Health Subsidy Fund to be used for that purpose.~~

*This bill would delete that provision and establish the Rural Health Care Equity Trust Fund to provide subsidies and reimbursements, as specified, for certain health care premiums and health care costs incurred by state employees and annuitants in rural areas, as defined; and would appropriate an unspecified amount from the General Fund to the Rural Health Care Equity Trust Fund to be used for those purposes. The bill would declare that it is to take effect immediately as an urgency statute and would make a related statement of legislative intent.*

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 ~~SECTION 1. Section 22825.9 is added to the~~  
2 ~~Government Code, to read:~~

3 ~~22825.9. (a) Notwithstanding any other provision of~~  
4 ~~law, the board may establish a health care premium~~  
5 ~~subsidy for active and retired state employees who reside~~  
6 ~~in areas of the state that are not serviced by any~~  
7 ~~contracting health maintenance organizations.~~

8 ~~(b) The Rural Health Subsidy Fund is hereby~~  
9 ~~established in the State Treasury for the purpose of~~  
10 ~~receiving funds to pay for the premium subsidy~~  
11 ~~authorized by subdivision (a).~~

12 ~~SEC. 2.~~

13 *SECTION 1. It is the intent of the Legislature to*  
14 *provide a subsidy to assist state employees and annuitants*  
15 *living in defined rural areas who do not have genuine*  
16 *access to a competitive health maintenance organization*  
17 *and who, instead, must choose a higher- than-average cost*  
18 *health maintenance organization or one or more*  
19 *preferred provider plans and incur substantially higher*  
20 *out-of-pocket expenses for health care.*

21 *SEC. 2. Section 22825.01 of the Government Code is*  
22 *repealed.*

~~22825.01. Notwithstanding Section 22825.1 or any other provision of law, a total amount not to exceed thirteen million dollars (\$13,000,000) from all funds is hereby appropriated to augment Items 9650-001-001, 9800-001-001, 9800-001-494, and 9800-001-988 of Section 2 of the Budget Act of 1990, as determined by the Director of Finance, and may be expended to provide, on an equitable pro rata basis, an increased state employer health benefit contribution for the 1990-91 fiscal year, which is chargeable to an appropriation made in the Budget Act of 1990, with respect to state officers, employees, and annuitants identified by the board who live where there is no available health maintenance organization and a fee-for-service health plan is the only option. That amount is appropriated for that purpose from all funds to augment equivalent items in the Budget Act of 1991 for the 1991-92 fiscal year and in the Budget Act of 1992 for the 1992-93 fiscal year, as determined by the Director of Finance.~~

*SEC. 3. Section 22825.01 is added to the Government Code, to read:*

*22825.01. (a) As used in this section, a "rural area" means a county in which there is no board-approved health maintenance organization plan available for enrollment by employees or annuitants who live in the county.*

*(b) (1) The Rural Health Care Equity Trust Fund is hereby established in the State Treasury for the purpose of funding increased health care benefits to subsidize and provide reimbursements for premium costs, deductibles, copayments, and other out-of-pocket health care costs incurred by employees and annuitants living in rural areas, as authorized by this section. The fund shall be administered by the board or by a third party administrator approved by the board in a manner consistent with all applicable state and federal laws.*

*(2) Separate accounts shall be maintained within the fund for (A) employees, as defined in subdivision (c) of Section 3513; (B) excluded employees, as defined in*

1 subdivision (b) of Section 3527; and (C) annuitants as  
2 defined in subdivision (e) of Section 22754.

3 (c) Moneys in the Rural HHealth Care Equity Trust  
4 Fund shall be allocated to the separate accounts as  
5 follows:

6 (1) As the employer's contribution with respect to  
7 each employee, as defined in subdivision (c) of Section  
8 3513, who lives in a rural area and who is otherwise  
9 eligible, and amount to be determined through the  
10 collective bargaining process.

11 (2) As the employer's contribution with respect to  
12 each excluded employee, as defined in subdivision (b) of  
13 Section 3527, who lives in a rural area and who is  
14 otherwise eligible, the amount of two thousand five  
15 hundred dollars (\$2,500) per year.

16 (3) As the employer's contribution with respect to  
17 each annuitant, as defined in subdivision (e) of Section  
18 22754, who lives in a rural area and who is otherwise  
19 eligible, the amount of one thousand two hundred fifty  
20 dollars (\$1,250) per year.

21 (d) Each fund of the State Treasury, other than the  
22 General Fund, shall reimburse the General Fund for any  
23 sums allocated pursuant to subdivision (c) for employees  
24 and annuitants whose compensation or annuities are paid  
25 from that fund.

26 (e) Notwithstanding any other provision of law and  
27 subject to the availability of funds, moneys within the  
28 Rural Health Care Equity Trust Fund shall be disbursed  
29 for the benefit of employees, as defined in subdivision (c)  
30 of Section 3513, who live in rural areas and who are  
31 otherwise eligible, (1) to subsidize the preferred  
32 provider plan premiums for the employee, by an amount  
33 equal to the difference between the weighted average of  
34 board-approved health maintenance organization  
35 premiums, as identified by the board, and the lowest  
36 board-approved preferred provider plan premium  
37 available to the employee; and (2) to reimburse the  
38 employee for a portion or all of his or her incurred  
39 deductibles, copayments, and other out-of-pocket  
40 health-related expenses. Those subsidies and

1 *reimbursements shall be provided according to a fixed*  
2 *schedule through a supplemental insurance plan, a*  
3 *medical reimbursement account, or a medical spending*  
4 *account plan, as determined by collective bargaining.*

5 *(f) Notwithstanding any other provision of law and*  
6 *subject to the availability of funds, moneys within the*  
7 *Rural Health Care Equity Trust Fund shall be disbursed*  
8 *for the benefit of excluded employees, as defined in*  
9 *subdivision (b) of Section 3527, who live in rural areas and*  
10 *who are otherwise eligible, (1) to subsidize the preferred*  
11 *provider plan premiums for the employee, by an amount*  
12 *equal to the difference between the weighted average of*  
13 *board-approved health maintenance organization*  
14 *premiums, as identified by the board, and the lowest*  
15 *board-approved preferred provider plan premium*  
16 *available to the employee; and (2) to reimburse the*  
17 *employee for a portion or all of his or her incurred*  
18 *deductibles, copayments, and other out-of-pocket*  
19 *health-related expenses. Those subsidies and*  
20 *reimbursements shall be provided according to a fixed*  
21 *schedule through a supplemental insurance plan, a*  
22 *medical reimbursement account, or a medical spending*  
23 *account plan, as determined by the board.*

24 *(g) Notwithstanding any other provision of law and*  
25 *subject to the availability of funds, moneys within the*  
26 *Rural Health Care Equity Trust Fund shall be disbursed*  
27 *for the benefit of annuitants, as defined in subdivision (e)*  
28 *of Section 22754, who live in rural areas and who are*  
29 *otherwise eligible, (1) to subsidize the preferred*  
30 *provider plan premiums for the annuitant, by an amount*  
31 *equal to the difference between the weighted average of*  
32 *board-approved health maintenance organization*  
33 *premiums, as identified by the board, and the lowest*  
34 *board-approved preferred provider plan premium*  
35 *available to the annuitant; and (2) to reimburse the*  
36 *annuitant for a portion or all of his or her incurred*  
37 *deductibles, copayments, and other out-of-pocket*  
38 *health-related expenses or incurred Medicare Part B*  
39 *premiums, exclusive of penalties. Those subsidies and*  
40 *reimbursements shall be provided according to a fixed*

1 *schedule through a supplemental insurance plan, a*  
2 *medical reimbursement account, or a medical spending*  
3 *account plan, as determined by the board.*

4 *(h) Any moneys remaining in any account of the fund*  
5 *at the end of any fiscal year shall remain in the account*  
6 *for use in subsequent fiscal years until the account is*  
7 *terminated. Moneys remaining in any account of the fund*  
8 *upon termination, after payment of all outstanding*  
9 *expenses and claims incurred prior to the date of*  
10 *termination, shall be deposited in the General Fund.*

11 *(i) The Legislature finds and declares that the Rural*  
12 *Health Care Equity Trust Fund is a trust fund held for the*  
13 *exclusive benefit of employees, annuitants, and family*  
14 *members and the health plan carriers, insurers, and those*  
15 *contracting to provide medical and hospital care services.*

16 *SEC. 4. The sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) is*  
17 *appropriated from the General Fund to the Rural Health*  
18 *Subsidy Care Equity Trust Fund, to be used to pay for the*  
19 *subsidy authorized by Section—22825.9 22825.01 of the*  
20 *Government Code.*

21 *SEC. 5. This act is an urgency statute necessary for*  
22 *the immediate preservation of the public peace, health,*  
23 *or safety within the meaning of Article IV of the*  
24 *Constitution and shall go into immediate effect. The facts*  
25 *constituting the necessity are:*

26 *In order to protect state employees and annuitants in*  
27 *rural areas who do not have access to a competitive health*  
28 *maintenance organization from excessive and*  
29 *inequitable health care costs, it is necessary that this act*  
30 *take effect immediately.*

